

CITY OF CELINA, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2013

**City of Celina, Texas
Annual Financial Report
Year Ended September 30, 2013**

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FINANCIAL SECTION

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Independent Auditor's Report

To the City Council
City of Celina, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of City of Celina, Texas ("City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of City of Celina, Texas as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and the schedule of funding progress on pages 7 through 21, and pages 53 through 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Celina, Texas basic financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully submitted,

Scott, Singleton, Fincher and Company, PC

Scott, Singleton, Fincher and Company, PC
Certified Public Accountants

February 4, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

The City of Celina presents the City's financial statements. This overview is an analysis of the financial activities of the City for the fiscal year ended September 30, 2013. This discussion should be read in conjunction with the financial statements and related notes. Comparative data is also presented for government-wide and fund financial statements at the end of this section.

FINANCIAL HIGHLIGHTS:

- Government-wide net position reported in the Statement of Net Position is \$20,820,113. Of this amount \$17,846,918 is invested in capital assets or restricted for debt service and capital projects, and the balance of \$2,973,195 is available as unrestricted net position.
- Government-wide net position increased by \$3,094,799 during 2013.
- Each of the City's fund financial statements reported changes in equity as follows:
 - General Fund – \$492,185 increase
 - Water & Sewer Fund - \$1,010,302 increase
 - Debt Service Fund - \$62,129 decrease
 - Capital Projects Fund - \$3,835,777 increase

USING THIS ANNUAL REPORT:

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the *flow of total economic resources* in a manner similar to the financial reports of a business enterprise.

The fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in the short-term, as well as what resources remain for future spending. Governmental funds reflect the *flow of current financial resources*. Proprietary fund statements offer short and long –term financial information about the activities the government operates like businesses, such as the water and sewer system. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

REPORTING THE CITY AS A WHOLE-GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Statement of Net Position and the Statement of Activities

Government-wide financial statements provide an analysis of the City's overall financial condition and operations. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the City's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the *accrual basis of accounting*, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions and 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current year or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and the changes in it. The City's net position (the difference between assets and liabilities) provides one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities:

Governmental Activities – Most of the City's services are reported here, including, administration, judicial, fire and emergency services, public works, police, parks and recreation, infrastructure and the main street project. Property taxes and state and federal grants finance most of these activities.

Business-type Activities – The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system operations and sanitation services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. The City's administration establishes funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental funds and proprietary funds use different accounting approaches.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the *modified accrual basis of accounting* (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules found at the bottom of each of the governmental fund financial statements.

Proprietary Funds – The Proprietary/Enterprise fund is used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

Net position serves as one useful indicator of a government's financial position. In the case of the City, the combined net position exceeded liabilities by \$20,820,113 and \$17,725,314 at the close of FY 2013 and FY 2012, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:

The combined net position of the City's activities increased from \$17,725,314 to \$20,820,113 or \$3,094,799 during 2013. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$2,973,195.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

As the City completed the year, its governmental funds \$8,847,252 and proprietary fund \$8,372,227 reported combined fund balance and net position of \$17,219,479 a \$5,400,393 increase from last year. Most of the increase (\$3,835,777) took place in the capital projects fund as a result of bonds issued for capital improvements in 2013.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets – the City's investment in capital assets reported in governmental activities and business-type activities was \$20,860,521 and \$15,909,018, respectively. This investment in capital assets includes land, buildings and improvements, equipment and vehicles. The change in the City's net investment in capital assets for the current fiscal year was \$3,294,360 and \$1,968,044 in each of the respective activities. Additional information on capital asset activity can be found in note 5 to the financial statements.

Long-term Debt – at year-end the City had \$24,687,080 in bonds and capital leases outstanding – an increase of \$4,537,215. Additional information on long-term liabilities can be found in note 6 to the financial statements.

BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:

As the City Manager of Celina I have the distinguished pleasure of leading a team of employees who are responsive to citizens needs and who act in an ethical way to provide high performance solutions to the challenges and needs of our community.

The employees of the City of Celina serve as a bridge between our citizens and our elected officials. Their job is to provide vision, goals and objectives that use the available resources to deliver the services needed to create innovative change for the present and the future.

With new development and growth in the upcoming years, our budget will allow for expanded customer service such as repairs of existing streets, sidewalks and storm drainage. The fiscal challenges of the past have improved with slight increases in revenues. Our staff will improve service delivery methods while continuing a conservative management style that meets or exceeds our customer's needs.

During the past year our staff created programs that improved our response to citizens and promoted quality of life through managing our City's unique resources. In the past year we have reviewed and made changes to the City's website, made upgrades to public safety through continuing our Best Practices Program in our Police Department and implemented a similar program in our Fire Department. The City of Celina purchased land for a fire station site and began the development process with an anticipated opening in June of 2015. Celina also purchased additional parkland to aid in the implementation of our Park Master Plan.

Celina also hired a new Parks and Recreation Manager who continues to create new programs for kids and adults by using our parks for relaxation and competition. We also hired a City Engineer to provide increased response to developer and citizen matters at a lower cost. In 2013 we continued to invest in our Main Street program by hiring a full time Main Street Director who has expanded the program to include new and exciting special events that provide additional avenues for our citizens, young and old, to enjoy our historic downtown square. Some of the successful events were our First Annual Cajun and Crawfish Festival, our Splash and Blast Festival and our 20th Annual Main Street Golf Tournament. Additional businesses have invested in our downtown and provided an economic boost to our square. The City Council chose to partner with the Celina Balloon Festival in September of 2014.

The City Council, our Economic Development Corporation and City Staff have used a teamwork approach that led the Dallas Business Journal to recognize the City of Celina for the Best Real Estate Deals for Single Family/Planned Community for the Light Farms Master Planned Community.

We also expanded our communication mediums by including citizens in ongoing meetings onsite and online. We used surveys to have our citizens weigh in on changes presented before our City Council. We updated zoning districts to allow for quality development that will complement the historic qualities of our community. The City continued to work with developers to create fair partnerships that provide opportunities for quality growth in Celina while placing less of a burden on our existing citizens.

In 2013 staff completed the fourth edition of the Comprehensive Plan to prepare for infrastructure needs as the City continues to grow. In conjunction with the Comprehensive Plan update, the City updated its Thoroughfare Plan, Subdivision regulations, Water and Wastewater Master Plan, and is working on updating its Capital Improvement Plan.

The Capital Improvement Plan is based on projects needed over the next five years assuming growth is consistent with Comprehensive Plan projections. Projects are initiated by need or stress placed on the system. Growth in the tax base, or increased water customers are examples of triggers for projects. The CIP models are also built with flexibility of the debt service schedule in mind. If the triggers do not materialize in a given year, the financing planned such as refunding of existing bond or issuance of the new bonds are delayed to a future year. If the triggers accelerate past the projections, projects may be moved forward in the CIP plan.

During the last few years, the leadership of Celina has faced the challenges of an ever-changing economy. With a team approach and a focus on preserving the city's heritage, we intend to use a strategic planning to solve the issues of the future. Celina will continue to grow and thrive as one of the top rated communities to move to.

Those who visit Celina cannot help notice it's a city on the rise, and that Celina attracts new residents at a brisk pace. The 2000 Census estimated the population to be 1,810, while the 2012 population estimate is roughly 6,700 residents. Celina continued to build a reputation for a safe destination where people enjoy living, playing, attending exemplary schools, and raising a family. The City has taken the initiative through comprehensive planning to prepare for its future growth.

In 2013 retail opportunities such as Dominoes Pizza and Subway opened on Preston Road. Our Downtown business area has grown with many more retail shops than in previous years. We have sculptured a vibrant relationship with the Greater Celina Chamber of Commerce and with the Celina Independent School District that enabled us to partner with them and local businesses to promote Celina via special events such as the Balloon Festival, the Main Street Golf Tournament, Cinco de Mayo festival, and the Annual Celina Cajun Festival. This relationship is vital to Celina's future.

In 2013, the City of Celina initiated a series of planned refunding of its existing debt to take advantage of historically low interest rate and stay within its debt management strategy guidelines. This refunding allowed the City to generate a new debt capacity for issuance of a new bond. In July 2013 the City of Celina issued an additional 5.3 Million Dollars in bonds to purchase Land and build a new Fire Station, purchase an additional land for park and improvement of some roadways. The City has accomplished all of these while maintaining its tax rate at \$0.645 per \$100.00 of property value.

The City of Celina will continue to partner with the Economic Development Corporation to share ideas that will increase economic development opportunities in Celina. This process will allow citizens to be involved in the growth plans for Celina. The focus is to be creative while being accountable and transparent.

In 2013, TXDOT continued widening Preston Road through Celina to the High School. This project will enable our city to grow and meet our current and future transportation needs. Additional transportation projects are in the planning stages including an Outer Loop and Celina Parkway that will allow citizens of Celina to conveniently travel through Celina from Dallas North Toll way to State Highway 75.

As our economy strengthens so does the outlook for the future of Celina. 2014 began with a tremendous push for development along Preston Road. Currently CVS is under construction and we are in the development process with O'Reillys Auto Parts and Taco Bell. New home construction is up over 50% for 2013 and sales tax receipts are rapidly increasing. The City of Celina will continue to work hard to plan for this amazing future and ensure that we are prepared for whatever lies ahead of us.

The City of Celina has continued its growth in 2013. The City issued 97 building permits, compared to 81 permits last year. Accordingly, permit fee collections have increased by \$111,666 or 34 percentage points for the same period. For the fiscal year 2012-2013, the City collected \$441,098 in permit fees compared with \$329,432 for the same period last year. The City of Celina possesses a vast amount of land that makes it attractive to housing developers. The increase in building permits and fees can be contributed to the opening of a new development known as “Light Farms”. This development upon completion will have approximately 3043 single family dwellings. The city is in process of negotiating and finalizing a few more developments throughout the city and it’s Extra Territorial Jurisdiction (ETJ).

The City of Celina’s portion of sales tax collection increased from \$338,053 in FY 2011-2012 to \$384,289 in FY 2012-2013 (figures do not include CEDC or CCDC collections). The City is experiencing a 14 percentage points or \$46,236 increase in sales tax collections in FY 2012-2013. The increase follows the trend through the state. The economy of the State of Texas is exceptionally strong although the national economy showing signs of improving as well. The opening new retail shops and restaurants played a role in the increase of sales tax revenue despite a major road construction in one of the city’s largest thoroughfare. Management anticipates that this increase will continue through FY 2013-2014 with a better or the same pace. In fiscal year 2013 the City of Celina completed its Comprehensive Plan, Thoroughfare master plan and working to complete its Subdivision Ordinance. The City of Celina completed these plans to be prepared for the challenges of the continuing increase in population growth and the resulting development.

Total assessed value of the properties for the City of Celina increased from \$481,645,071 in FY 2012 to \$505,896,214 in FY 2013. This increase represents a recovery from declining property values and is a sign that economy improving in this region. The City of Celina has completely recovered from drop in property values in recent years. The majority of this increase resulted from new construction and a minor annexation of new parcels of land. Reviewing the history of the City’s assessed property values provides evidence of the City’s measurable growth in last decade.

Years	Assessed Value	% Change
2002	87,908,272.00	
2003	114,041,371.00	30%
2004	143,297,951.00	26%
2005	183,200,000.00	28%
2006	224,412,066.00	23%
2007	284,847,298.00	27%
2008	418,824,688.00	47%
2009	463,330,201.00	9.0%
2010	454,151,622.00	-2.0%
2011	461,631,888.00	1.6%
2012	481,645,071.00	4.3%
2013	505,896,214.00	5.0%

Total water sales for the FY 2013 increased by 9 percentage points, indicating the two rate increases and increase in the number of new houses have stabilized the fund. Total revenue from water sales for the FY 2013 was \$2,772,632.

A review of the history of the City's water sales over past few years indicates a healthy average increase of over 20 percentage points in water sales. History of water sales is illustrated below:

Years	Water Sales	% Change
2002	502,048.00	
2003	707,367.00	41.0%
2004	818,403.00	16.0%
2005	1,157,066.00	41.0%
2006	1,871,163.00	62.0%
2007	1,298,932.00	(30.0%)
2008	1,598,567.00	23.0%
2009	1,602,364.00	0.24%
2010	1,944,348.00	21.0%
2011	2,549,933.00	31.0%
2012	2,548,942.00	0.0%
2013	2,772,632.00	9.0%

Total sewer sales increased from \$994,332 in FY 2012 to \$1,060,773 in FY 2012-2013.

The increase of \$66,441 or 7 percentage points is the result of increase in sale since the second utility rate increase in April 2011 excluded the Sewer as well as new developments. A review of the history of the City's sewer sales over past few years indicates a healthy average increase of more than 14 percentage points in sewer sales. History of sewer sales is illustrated below:

Years	Sewer Sales	% Change
2002	268,979.00	
2003	309,581.00	15.0%
2004	341,976.00	10.0%
2005	403,498.00	18.0%
2006	509,798.00	26.0%
2007	485,948.00	(5.0%)
2008	546,556.00	13.0%
2009	572,299.00	4.70%
2010	774,022.00	35.0%
2011	946,269.00	22.0%
2012	994,332.00	5.10%
2013	1,060,773.00	6.89%

CONTACTING THE CITY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please do not hesitate to contact Mike Foreman, City Manager, or Jay Toutouchian, Director of Finance, by phone at (972) 382-2682 or by E-mail at mforeman@celina-tx.gov or jtoutouchian@celina-tx.gov .

CITY OF CELINA, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 9,958,177	\$ 5,817,269	\$ 1,955,785	\$ 3,387,790	\$ 11,913,962	\$ 9,205,059
Capital assets, net	20,860,521	17,566,161	15,909,018	13,940,974	36,769,539	31,507,135
Total Assets	30,818,698	23,383,430	17,864,803	17,328,764	48,683,501	40,712,194
Liabilities						
Other liabilities	1,211,867	1,062,483	910,382	670,572	2,122,249	1,733,055
Long-term debt	16,921,450	11,841,222	8,361,937	9,064,513	25,283,387	20,905,735
Total Liabilities	18,133,317	12,903,705	9,272,319	9,735,085	27,405,636	22,638,790
Deferred Inflows of Resources						
Deferred bond credits	237,495	116,336	220,257	231,754	457,752	348,090
Total Deferred Inflows of Resources	237,495	116,336	220,257	231,754	457,752	348,090
Net Position						
Net investment in capital assets	7,800,853	5,608,603	7,485,220	6,717,653	15,286,073	12,326,256
Restricted for debt service	515,274	422,120			515,274	422,120
Restricted for capital projects	2,045,571	3,473,356			2,045,571	3,473,356
Unrestricted	2,086,188	859,310	887,007	644,272	2,973,195	1,503,582
Total Net Position	\$ 12,447,886	\$ 10,363,389	\$ 8,372,227	\$ 7,361,925	\$ 20,820,113	\$ 17,725,314

**CITY OF CELINA, TEXAS
COMPARATIVE STATEMENTS OF ACTIVITIES**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	\$ 1,113,468	\$ 1,042,829	\$ 4,781,510	\$ 4,377,926	\$ 5,894,978	\$ 5,420,755
Operating grants/contributions	-	231,301			-	231,301
Capital grants/contributions	2,344,763		-	70,000	2,344,763	70,000
General revenues:						
Ad valorem taxes	3,129,835	3,021,800			3,129,835	3,021,800
Sales taxes	384,289	338,053			384,289	338,053
Franchise Taxes	325,167	299,999			325,167	299,999
Other	636,943	479,886	38,126	28,306	675,069	508,192
Total revenues	7,934,465	5,413,868	4,819,636	4,476,232	12,754,101	9,890,100
Expenses:						
Administration	950,109	799,116			950,109	799,116
Judicial	79,863	70,066			79,863	70,066
Fire and emergency services	1,541,465	1,176,359			1,541,465	1,176,359
Development services	417,119	472,329			417,119	472,329
Public works	515,098	366,560			515,098	366,560
Police department	803,634	749,274			803,634	749,274
Parks and recreation	556,654	503,298			556,654	503,298
Library	134,625	126,116			134,625	126,116
Infrastructure	203,273	207,097			203,273	207,097
Main street project	135,388	99,726			135,388	99,726
Bond issuance costs	399,992				399,992	-
Interest and fiscal charges	457,748	358,718			457,748	358,718
Water, Sewer and Sanitation Services			3,464,334	3,572,057	3,464,334	3,572,057
Total Expenses	6,194,968	4,928,659	3,464,334	3,572,057	9,659,302	8,500,716
Excess (deficiency) before transfers	1,739,497	485,209	1,355,302	904,175	3,094,799	1,389,384
Transfers	345,000	95,000	(345,000)	(95,000)	-	-
Change in Net Position	2,084,497	580,209	1,010,302	809,175	3,094,799	1,389,384
Net Position - October 1	10,363,389	9,783,180	7,361,925	6,552,750	17,725,314	16,335,930
Net Position - September 30	\$ 12,447,886	\$ 10,363,389	\$ 8,372,227	\$ 7,361,925	\$ 20,820,113	\$ 17,725,314

**CITY OF CELINA, TEXAS
COMPARATIVE BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013 and 2012**

	General	Debt Service	Capital Projects	Total Governmental Funds	
				2013	2012
Assets					
Cash and cash equivalents	\$ 2,072,023	\$ 528,466	\$ -	\$ 2,600,489	\$ 1,924,877
Investment in Texpool	2,375			2,375	2,373
Cash and cash equivalents - restricted			6,262,974	6,262,974	3,494,081
Sales taxes receivable	78,469			78,469	65,226
Property taxes receivable, net	29,002	5,524		34,526	59,298
EMS receivable	26,149			26,149	434,615
Grants receivable			400,000	400,000	
Other receivables	57,065	7,239	12,153	76,457	63,775
Due from other funds	400,000			400,000	400,000
Due from component units	31,087			31,087	27,979
Total Assets	\$ 2,696,170	\$ 541,229	\$ 6,675,127	\$ 9,912,526	\$ 6,472,224
Liabilities					
Accounts payable	59,707		13,959	73,666	158,867
Accrued salaries and benefits	58,127			58,127	49,560
Other accrued liabilities	111,848	153		112,001	73,255
Due to other funds		20,278		20,278	668,243
Due to component units				-	93,795
Unearned revenue	250,000		516,320	766,320	912,045
Total Liabilities	479,682	20,431	530,279	1,030,392	1,955,765
Deferred Inflows of Resources					
Unavailable property taxes receivable	29,358	5,524	-	34,882	59,298
Total Deferred Inflows of Resources	29,358	5,524	-	34,882	59,298
Fund Balances					
Restricted for:					
Capital improvements			6,144,848	6,144,848	2,309,071
Debt service		515,274		515,274	453,145
Unassigned	2,187,130			2,187,130	1,694,945
Total Fund Balances	2,187,130	515,274	6,144,848	8,847,252	4,457,161
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,696,170	\$ 541,229	\$ 6,675,127	\$ 9,912,526	\$ 6,472,224

CITY OF CELINA, TEXAS
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Years Ending September 30, 2013 and 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	
				2013	2012
REVENUES:					
Ad valorem taxes	\$ 2,332,848	\$ 821,403		\$ 3,154,251	\$ 3,019,885
Franchise taxes	325,167			325,167	299,999
Sales tax	384,289			384,289	338,053
Permits and inspection fees	455,454			455,454	340,547
Component unit contributions		170,000	150,000	320,000	340,000
Development fees	124,743			124,743	56,411
Fire department and EMS fees	174,678			174,678	244,505
Fines	197,248			197,248	186,302
Special events and donations	142,682			142,682	175,346
Park fees	161,345			161,345	85,111
Other income	85,140			85,140	120,005
Interest	24,383	4,077	34,561	63,021	43,076
Federal, state and local grants			2,344,763	2,344,763	32,760
Total Revenues	4,407,977	995,480	2,529,324	7,932,781	5,282,000
EXPENDITURES:					
Administration	870,419			870,419	774,209
Judicial	79,863			79,863	70,066
Fire and emergency services	1,057,979			1,057,979	1,062,174
Development services	417,119			417,119	472,329
Public works	416,690		91,749	508,439	373,302
Police department	741,361			741,361	729,737
Parks and Recreation	349,742			349,742	288,239
Library	134,625			134,625	126,116
Main street project	135,388			135,388	99,726
Capital outlay	63,536		3,914,152	3,977,688	1,938,419
Debt Service:					
Principal retirement	48,531	451,994		500,525	363,145
Interest and fiscal charges	2,391	488,596		490,987	379,859
Bond issuance costs		337,458	62,534	399,992	50,405
Total Expenditures	4,317,644	1,278,048	4,068,435	9,664,127	6,727,726
Excess (Deficiency) of Revenues Over Expenditures	90,333	(282,568)	(1,539,111)	(1,731,346)	(1,445,726)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	26,100			26,100	30,403
Proceeds from issuance of bonds		4,434,697	5,374,888	9,809,585	4,146,558
Payment to bond refunding agent		(4,090,000)		(4,090,000)	(109,528)
Proceeds from capital leases	30,752			30,752	
Operating transfers in (out)	345,000			345,000	95,000
Net Other Financing Sources (Uses)	401,852	344,697	5,374,888	6,121,437	4,162,433
Net change in fund balances	492,185	62,129	3,835,777	4,390,091	2,716,707
Fund balance, October 1	1,694,945	453,145	2,309,071	4,457,161	1,740,454
Fund balance, September 30	\$ 2,187,130	\$ 515,274	\$ 6,144,848	\$ 8,847,252	\$ 4,457,161

CITY OF CELINA, TEXAS
COMPARATIVE STATEMENTS OF FUND NET POSITION
PROPRIETARY FUND
September 30, 2013 and 2012

	2013	2012
	Enterprise Fund	Enterprise Fund
	Water & Sewer	Water & Sewer
	Activities	Activities
Assets		
Cash and cash equivalents	\$ 554,517	\$ 491,418
Investment in TexPool	1,036,811	3,170
Investment in TexPool, restricted for capital projects	158,396	2,072,946
Accounts receivable, net	585,783	552,013
Due from other funds	20,278	668,243
Total current assets	2,355,785	3,787,790
Capital Assets:		
Land	154,114	154,114
Buildings	43,769	43,769
Water & sewer infrastructure	21,392,867	19,028,514
Vehicles	169,128	125,689
Equipment	334,011	327,746
Less accumulated depreciation	(6,184,871)	(5,738,858)
Capital Assets, net	15,909,018	13,940,974
Total assets	\$ 18,264,803	\$ 17,728,764
Liabilities		
Accounts payable	316,217	185,784
Accrued salaries and benefits	63,391	53,620
Bonds payable - current	559,408	543,005
Infrastructure advance from CISD - current	95,282	141,587
Accrued interest payable	30,180	25,583
Meter deposits payable	191,619	168,095
Unearned revenue	308,975	237,490
Due to other funds	400,000	400,000
Total current liabilities	1,965,072	1,755,164
Infrastructure advance from CISD - long-term	501,025	614,283
Bonds payable - long-term	7,206,222	7,765,638
Total non-current liabilities	7,707,247	8,379,921
Total liabilities	9,672,319	10,135,085
Deferred Inflows of Resources		
Deferred bond credits	220,257	231,754
Total deferred inflows of resources	220,257	231,754
Net Position		
Net investment in capital assets	7,485,220	6,717,653
Restricted for capital projects, net of related debt (\$158,396 each, 2013) (\$2,072,946 each, 2012)		
Unrestricted	887,007	644,272
Total Net Position	\$ 8,372,227	\$ 7,361,925

CITY OF CELINA, TEXAS
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues:		
Water sales	\$ 2,772,632	\$ 2,548,942
Sewer sales	1,060,773	994,332
Garbage fees	359,565	328,534
Penalties	70,447	66,785
Tap and reconnect fees	187,691	146,007
Impact fees	234,750	203,756
Other revenues	95,652	89,570
Total Operating Revenues	<u>4,781,510</u>	<u>4,377,926</u>
Operating Expenses:		
Salaries and benefits	355,949	319,695
Garbage fees	341,359	321,236
Licenses and permits	10,181	8,369
Materials and supplies	104,207	73,336
Engineering	142,041	82,341
Postage	23,072	23,881
Repairs and facility maintenance	145,546	276,330
General insurance	9,787	12,949
Vehicle expense	35,736	36,122
Utilities and telephone	237,511	218,316
Chemicals	18,330	18,132
Water purchases and related fees	1,272,029	1,190,776
Depreciation & amortization	446,013	469,758
Other expense	24,450	51,730
Total Operating Expenses	<u>3,166,211</u>	<u>3,102,971</u>
Operating Income	<u>\$ 1,615,299</u>	<u>\$ 1,274,955</u>

(Continued)

CITY OF CELINA, TEXAS
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Years Ended September 30, 2013 and 2012

	2013	2012
Non-operating revenues (expenses):		
Interest income	\$ 38,126	\$ 28,306
Interest and fiscal charges	(298,123)	(469,086)
Total Non-operating Revenues (Expenses)	(259,997)	(440,780)
 Income before contributions and transfers	1,355,302	834,175
Capital contributions		70,000
Transfers out to other funds	(345,000)	(95,000)
	1,010,302	809,175
Change in net position		
Net position, October 1	7,361,925	6,873,536
Prior period adjustment		(320,786)
Net position, September 30	\$ 8,372,227	\$ 7,361,925

BASIC FINANCIAL STATEMENTS

CITY OF CELINA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 4,117,248	\$ 554,517	\$ 4,671,765	\$ 202,521
Investment in Texpool	2,375	1,036,811	1,039,186	
Property taxes receivable, net	29,002		29,002	
Sales taxes receivable	78,469		78,469	78,468
Fines receivable, net	13,288		13,288	
Accounts receivable, net	78,790	585,783	664,573	
Other receivables	76,457		76,457	
Grant receivable	400,000		400,000	
Due from component units	31,087		31,087	
Internal balances	379,722	(379,722)	-	
Restricted assets:				
Cash and cash equivalents	4,746,215		4,746,215	
Property taxes receivable, net	5,524		5,524	
Investment in Texpool restricted for capital projects		158,396	158,396	
Capital assets:				
Land	2,189,652	154,115	2,343,767	
Construction in progress	18,206	3,756,909	3,775,115	
Capital assets, net	18,652,663	11,997,994	30,650,657	
Total Assets	30,818,698	17,864,803	48,683,501	280,989
Liabilities				
Accounts payable	73,666	316,217	389,883	
Accrued salaries and benefits	183,749	63,391	247,140	
Other accrued expenses	112,001		112,001	
Unearned revenue		308,975	308,975	
Meter deposits payable		191,619	191,619	
Due to primary government				31,087
Payable from restricted assets:				
Unearned revenue	766,320		766,320	
Accrued interest	76,131	30,180	106,311	
Long-term liabilities:				
Due within one year:				
Bonds payable	495,592	559,408	1,055,000	
Capital leases	14,852		14,852	
Infrastructure advance from CISD		95,282	95,282	
Due in more than one year:				
Bonds payable	16,398,778	7,206,222	23,605,000	
Capital leases	12,228		12,228	
Infrastructure advance from CISD		501,025	501,025	
Total Liabilities	18,133,317	9,272,319	27,405,636	31,087
Deferred Inflows of Resources				
Deferred bond credits	237,495	220,257	457,752	-
Total Deferred Inflows of Resources	237,495	220,257	457,752	-
Net Position				
Net investment in capital assets	7,800,853	7,485,220	15,286,073	
Restricted for debt service	515,274		515,274	
Restricted for capital projects (\$6,144,848) net of related debt (\$4,099,277)	2,045,571		2,045,571	
Restricted for capital projects (\$158,396) net of related debt (\$158,396)		-		
Unrestricted	2,086,188	887,007	2,973,195	249,902
Total Net Position	\$ 12,447,886	\$ 8,372,227	\$ 20,820,113	\$ 249,902

The accompanying notes are an integral part of these financial statements.

**CITY OF CELINA, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Units
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Primary Government	Total	
Governmental activities:									
Administration	\$ 950,109	\$ -	\$ -	\$ -	\$ (950,109)	\$ -	\$ (950,109)	\$ -	
Judicial	79,863				(79,863)		(79,863)		
Fire and emergency services	1,541,465	174,678			(1,366,787)		(1,366,787)		
Development services	417,119	124,743			(292,376)		(292,376)		
Public works	515,098	455,454			(59,644)		(59,644)		
Police department	803,634	197,248			(606,386)		(606,386)		
Parks and recreation	556,654	161,345		400,000	4,691		4,691		
Library	134,625				(134,625)		(134,625)		
Infrastructure	203,273			1,944,763	1,741,490		1,741,490		
Main street project	135,388				(135,388)		(135,388)		(134,676)
Economic development									
Bond issuance costs	399,992				(399,992)		(399,992)		
Interest and fiscal charges	457,748				(457,748)		(457,748)		
Total governmental activities	6,194,968	1,113,468	-	2,344,763	(2,736,737)	\$ (2,736,737)	(2,736,737)	\$ (134,676)	
Business-type activities:									
Water and sewer services	3,464,334	4,781,510				1,317,176	1,317,176		
Total business-type activities	3,464,334	4,781,510	-	-	-	1,317,176	1,317,176	\$ (1,419,561)	
Total all activities	\$ 9,659,302	\$ 5,894,978	\$ -	\$ 2,344,763	\$ (2,736,737)	\$ 1,317,176	\$ (1,419,561)	\$ (134,676)	
General revenues:									
Ad valorem taxes					3,129,835		3,129,835		
Sales taxes					384,289		384,289		387,815
Franchise taxes					325,167		325,167		
Miscellaneous income and contributions					253,922		253,922		5,069
Unrestricted investment earnings					63,021	38,126	101,147		2,985
Intergovernmental transfers					320,000		320,000		(320,000)
Transfers					345,000	(345,000)	-		
Total general revenues and transfers					4,821,234	(306,874)	4,514,360		75,869
Change in net position					2,084,497	1,010,302	3,094,799		(58,807)
Net Position-beginning of year					10,363,389	7,361,925	17,725,314		308,709
Net Position-end of year					\$ 12,447,886	\$ 8,372,227	\$ 20,820,113		\$ 249,902

The accompanying notes are an integral part of these financial statements

**CITY OF CELINA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 2,072,023	\$ 528,466	\$ -	\$ 2,600,489
Investment in Texpool	2,375			2,375
Cash and cash equivalents - restricted			6,262,974	6,262,974
Sales taxes receivable	78,469			78,469
Property taxes receivable, net	29,002	5,524		34,526
EMS receivable, net	26,149			26,149
Grants receivable			400,000	400,000
Other receivables	57,065	7,239	12,153	76,457
Due from other funds	400,000			400,000
Due from component units	31,087			31,087
Total Assets	\$ 2,696,170	\$ 541,229	\$ 6,675,127	\$ 9,912,526
Liabilities				
Accounts payable	59,707		13,959	73,666
Accrued salaries and benefits	58,127			58,127
Other accrued liabilities	111,848	153		112,001
Due to other funds		20,278		20,278
Unearned revenue	250,000		516,320	766,320
Total Liabilities	479,682	20,431	530,279	1,030,392
Deferred Inflows of Resources				
Unavailable property taxes receivable	29,358	5,524		34,882
Total Deferred Inflows of Resources	29,358	5,524	-	34,882
Fund Balances				
Restricted for:				
Capital Projects			6,144,848	6,144,848
Debt Service		515,274		515,274
Unassigned	2,187,130			2,187,130
Total Fund Balances	2,187,130	515,274	6,144,848	8,847,252
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,696,170	\$ 541,229	\$ 6,675,127	\$ 9,912,526
Governmental fund balances as presented above:				8,847,252
Amounts presented for governmental activities in the statement of net position are different because:				
Capital assets reported in the statement of net position are not financial resources and are not reported in the fund balance sheet.				20,860,521
Other long-term assets (receivables) are not available to pay current-period expenditures and therefore are deferred in the funds. These include deferred property taxes of \$34,822 and EMS and fines receivable of \$52,641 and \$13,288.				100,811
Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but does not become a liability on the fund statements until the date due.				(76,131)
Long-term liabilities are reported in the statement of net position but they are not due and payable in the current period and therefore are not reported as liabilities in the fund balance sheet.				(17,284,567)
Net Position of Governmental Activities				\$ 12,447,886

CITY OF CELINA, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Ad valorem taxes	\$ 2,332,848	\$ 821,403	\$ -	\$ 3,154,251
Franchise taxes	325,167			325,167
Sales tax	384,289			384,289
Permits and inspection fees	455,454			455,454
Component unit contributions		170,000	150,000	320,000
Development fees	124,743			124,743
Fire department and EMS revenues	174,678			174,678
Fines	197,248			197,248
Special events and donations	142,682			142,682
Park fees	161,345			161,345
Other income	85,140			85,140
Interest	24,383	4,077	34,561	63,021
Federal, state & local grants			2,344,763	2,344,763
Total Revenues	4,407,977	995,480	2,529,324	7,932,781
EXPENDITURES:				
Current:				
Administration	870,419			870,419
Judicial	79,863			79,863
Fire and emergency services	1,057,979			1,057,979
Development services	417,119			417,119
Public works	416,690		91,749	508,439
Police department	741,361			741,361
Parks and recreation	349,742			349,742
Library	134,625			134,625
Main street project	135,388			135,388
Capital Outlay	63,536		3,914,152	3,977,688
Debt Service:				
Principal	48,531	451,994		500,525
Interest and fiscal charges	2,391	488,596		490,987
Bond issuance costs		337,458	62,534	399,992
Total Expenditures	4,317,644	1,278,048	4,068,435	9,664,127
Excess (Deficiency) of Revenues Over (Under) Expenditures	90,333	(282,568)	(1,539,111)	(1,731,346)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	26,100			26,100
Proceeds from issuance of bonds		4,434,697	5,374,888	9,809,585
Payment to bond refunding agent		(4,090,000)		(4,090,000)
Proceeds from capital leases	30,752			30,752
Operating transfers in (out)	345,000			345,000
Net Other Financing Sources (Uses)	401,852	344,697	5,374,888	6,121,437
Net change in fund balances	492,185	62,129	3,835,777	4,390,091
Fund balance, October 1	1,694,945	453,145	2,309,071	4,457,161
Fund balance, September 30	\$ 2,187,130	\$ 515,274	\$ 6,144,848	\$ 8,847,252

The accompanying notes are an integral part of these financial statements.

CITY OF CELINA, TEXAS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2013

Net change in fund balances - total governmental funds **\$ 4,390,091**

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures, while in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$3,977,688 exceeded depreciation expense of \$(683,328). 3,294,360

In the statement of activities, the gain on the disposal of assets is reported, but in the governmental funds, proceeds from the sale increase current financial resources. The change in net position differs from the change in fund balance by the net book value of the assets disposed.

Proceeds from the issuance of long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt retired for the year \$500,525, and refunded \$4,090,000; less bond proceeds (\$9,809,785) and capital leases issued (\$30,752) (5,250,012)

Changes in the liability for compensated absences do not require the use of current resources and therefore are not recorded in the funds. (16,237)

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds. This includes the change in unavailable deferred ad valorem taxes of \$(24,416), court fines receivable \$-0-, and EMS receivables \$(342,727). (367,143)

Some expenses in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the amortization of bond premiums, \$(48,625); and the increase in accrued interest on debt \$15,187. 33,438

Change in net position of governmental activities **\$ 2,084,497**

CITY OF CELINA, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2013

	Enterprise Fund
	Water & Sewer
	Activities
Assets	
Cash and cash equivalents	\$ 554,517
Investment in TexPool	1,036,811
Investment in TexPool restricted for capital projects	158,396
Accounts receivable, net	585,783
Due from other funds	20,278
Total current assets	2,355,785
Capital Assets:	
Land	154,114
Buildings	43,769
Water & sewer infrastructure	21,392,867
Vehicles	169,128
Equipment	334,011
Less accumulated depreciation	(6,184,871)
Capital Assets, net	15,909,018
Total assets	\$ 18,264,803
Liabilities	
Accounts payable	316,217
Accrued salaries and benefits	63,391
Bonds payable - current	559,408
Infrastructure advance from CISD - current	95,282
Accrued interest payable	30,180
Meter deposits payable	191,619
Unearned revenue	308,975
Due to other funds	400,000
Total current liabilities	1,965,072
Infrastructure advance from CISD - long-term	501,025
Bonds payable - long-term	7,206,222
Total non-current liabilities	7,707,247
Total liabilities	9,672,319
Deferred Inflows of Resources	
Deferred bond credits	220,257
Total deferred inflows of resources	220,257
Net Position	
Net investment in capital assets	7,485,220
Restricted for capital projects (\$158,396), net of related debt (\$158,396)	
Unrestricted	887,007
Total Net Position	\$ 8,372,227

The accompanying notes are an integral part of these financial statements.

CITY OF CELINA, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended September 30, 2013

	Enterprise Fund
	Water & Sewer
	Activities
Operating revenues:	
Water sales	\$ 2,772,632
Sewer sales	1,060,773
Garbage fees	359,565
Penalties	70,447
Tap and reconnect fees	187,691
Impact fees	234,750
Other revenues	95,652
Total Operating Revenues	4,781,510
 Operating expenses:	
Salaries and benefits	355,949
Garbage fees	341,359
Licenses and permits	10,181
Materials and supplies	104,207
Engineering	142,041
Postage	23,072
Repairs and facility maintenance	145,546
General insurance	9,787
Vehicle expense	35,736
Utilities and telephone	237,511
Chemicals	18,330
Water purchases and related fees	1,272,029
Depreciation & amortization	446,013
Other expense	24,450
Total Operating Expenses	3,166,211
Operating Income	\$ 1,615,299

(Continued)

CITY OF CELINA, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended September 30, 2013

	Enterprise Fund
	Water & Sewer
	Activities
Non-operating revenues (expenses):	
Interest income	\$ 38,126
Interest and fiscal charges	(298,123)
Total Nonoperating Revenues (Expenses)	(259,997)
Income (loss) before contributions and transfers	1,355,302
Operating Transfers in (out)	(345,000)
Change in net position	1,010,302
Net position, October 1	7,361,925
Net position, September 30	\$ 8,372,227

The accompanying notes are an integral part of these financial statements.

CITY OF CELINA, TEXAS
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2013

	Enterprise Fund
	Water & Sewer
	Activities
Cash flows from operating activities:	
Cash received from customers and users	\$ 4,819,225
Cash paid to suppliers	(2,233,816)
Cash paid to employees	(346,178)
Net cash provided (used) by operating activities	2,239,231
Cash flows from noncapital financing activities:	
Change in customer deposits	23,520
Operating transfers (to) from other funds	(345,000)
Advances (to) from other funds	647,965
Net cash provided (used) for noncapital financing activities	326,485
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,414,058)
Principal payments - bonds payable	(543,008)
Principal payments - other obligations	(159,563)
Interest paid on bonds payable and other long-term obligations	(305,023)
Net cash provided (used) by capital and related financing activities	(3,421,652)
Cash flows from investing activities:	
Net redemptions (purchases) of investments	880,909
Investment income	38,126
Net cash provided (used) by investing activities	919,035
Net increase (decrease) in cash and cash equivalents	63,099
Cash and cash equivalents, October 1	491,418
Cash and cash equivalents, September 30	\$ 554,517

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF CELINA, TEXAS
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2013

Reconciliation of Net Income to Net Cash Provided (Used)
by Operating Activities

	Enterprise Fund
	Water & Sewer
	Activities
Operating income	\$ 1,615,299
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation and amortization	446,013
(Increase) decrease in accounts receivable (net)	(33,770)
Increase (decrease) in accounts payable and accrued expense	140,204
Increase (decrease) in unearned revenues	71,485
	623,932
Total Adjustments	623,932
Net cash provided by operating activities	\$ 2,239,231

The accompanying notes are an integral part of these financial statements.

City of Celina, Texas
Notes to Financial Statements
September 30, 2013

1. Introduction and Summary of Significant Accounting Policies

The financial statements of the City of Celina, Texas and its component units, Celina Economic Development Corporation and Celina Community Development Corporation, collectively identified as the "City" have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this note. The remaining notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ending September 30, 2013.

(A) Reporting Entity and Related Organizations

The City is a municipal corporation governed by an elected mayor and six member City Council. The City provides general administration, public works, police and judicial, and fire and emergency services to its residents. The Council hires a City Manager for day to day operations.

The City Council has the authority to make decisions, appoint administrators and managers, significantly influence operations; and has the primary accountability for fiscal matters. The City is not included in any other governmental "reporting entity" as defined by Governmental Accounting and Financial Reporting Standards.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statements No. 14 and 39 as amended by GASB Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. In addition, component units may be included in the reporting entity based on the nature and significance of the relationship with the primary government, or based on being closely related or financially integrated with the primary government. Based on these criteria, the City has the following component units at September 30, 2013:

Discretely Presented Component Units:

Celina Economic Development Corporation (CEDC) - CEDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the CEDC board for cause. CEDC is a nonprofit corporation governed by Section 4A of the Texas Development Corporation Act of 1979 and organized for the public purpose of aiding, promoting and furthering economic development within the City of Celina, Texas.

1. Introduction and Summary of Significant Accounting Policies - continued

Celina Community Development Corporation (CCDC) - CCDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the CCDC board for cause. CCDC is a nonprofit corporation governed by Section 4B of the Texas Development Corporation Act of 1979 and organized for the public purpose of the promotion and development of industrial and manufacturing enterprises to promote and encourage employment and the public welfare of the City of Celina, Texas.

Neither CEDC nor CCDC prepare separate financial statements.

(B) Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and Proprietary funds are reported in separate columns with composite columns for non-major funds.

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1. Introduction and Summary of Significant Accounting Policies - continued

The government-wide statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting* generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and capital lease principal and interest which are reported as expenditures in the year due.

Major revenues sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, grant revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are charges to customers for water and sewer sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as *non-operating* in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

(D) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

General Fund - reports as the primary operating fund of the City. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund - accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds, capital leases, and interest. This fund reports all such ad valorem taxes collected.

Capital Projects Fund – accounts for the financing and acquisition of major capital projects. Fund resources are provided primarily through bond sales and interest earnings.

1. Introduction and Summary of Significant Accounting Policies - continued

Proprietary Funds

The City reports the following major Proprietary fund:

Water and Sewer Fund - accounts for the operating activities of the City's water and sewer utilities services.

(E) Assets, Liabilities and Net Position or Equity

Cash and Investments

The City maintains cash and investment pools which are shared by the various governmental funds. In addition, non-pooled cash and investments are separately held and reflected in the respective individual funds. These pooled and non-pooled cash and investment pools are displayed on its respective balance sheet as "cash and cash equivalents" and "investment in TexPool."

Investments are reported at fair value determined as follows. Short-term, highly liquid investments are reported at cost, which approximates fair value. Cash deposits are reported at the carrying amount which reasonably estimates fair value.

Bank certificates of deposit are carried at cost which approximates fair value.

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Inventories and Prepaids

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements.

Prepaids record payments to vendors that benefit future reporting periods and are reported on the consumption basis at cost. Prepaids are similarly reported in government-wide and fund financial statements.

Deferred Inflows and Outflows of Resources

Deferred inflows of resources represent the acquisition of resources that apply to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of resources that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time.

1. Introduction and Summary of Significant Accounting Policies - continued

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or if historical cost is not available, they are stated at estimated historical cost. These assets are comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40
Road infrastructure	15 - 50
Water & sewer infrastructure & rights	20 - 40
Vehicles	5
Furniture, machinery, and equipment	5

The City has not capitalized any interest costs in the carrying value of capital assets.

Long-term Debt, Deferred Bond Credits, and Bond Discounts/Premiums

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the straight-line method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Fund Equity

The City implemented GASB Statement 54 standards for the classification of fund balances in the governmental funds. The fund balances of governmental funds are defined as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form, such as inventory or prepaid items or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

1. **Introduction and Summary of Significant Accounting Policies – continued**

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through a formal resolution of the City Council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes that have been established by the City Council.

Unassigned - all other spendable amounts in the general fund.

The City Council delegates the responsibility to assign funds to the City Manager, Director of Finance, or other designee as determined by the Council.

When expenditures are incurred for which both restricted and unrestricted fund balance is available the City considers restricted funds to have been spent first. Similarly, committed funds are considered to have been spent first when there is a choice for the use of less restricted funds, then assigned and then unassigned funds.

Compensated Absences

Full-time employees earn vacation leave for each month of work performed. Progressive accrual of vacation leave is based on the number of years the individual is employed by the City. After completion of a probationary period of employment, accrued vacation leave is paid upon termination of employment. Full-time employees also earn sick leave time. Unused sick leave is not paid upon termination of employment.

Compensated absences are reported as accrued in the government-wide, proprietary and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. These are included in wages and benefits payable.

(F) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a participant in the Texas Municipal League (TML) Employees Health Insurance Fund, Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The agreement provides that the trust established by TML will be self-sustaining through member premiums. The City pays annual premiums to TML for worker's compensation, general and auto liability, property damage, employee dishonesty, public officials liability, and law enforcement professional liability coverage. The City does not anticipate any material additional insurance cost assessments as a result of participation in this risk management pool. There were no reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage during any of the past three fiscal years.

1. Introduction and Summary of Significant Accounting Policies – continued

(G) Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The City Manager submits an annual budget to the City Council in accordance with the laws of the State of Texas and the city charter. The budget is presented to the City Council for review, budget workshops are held with the various City department officials, and public hearings are held to address priorities and the allocation of resources. Generally in August, the City Council adopts the annual fiscal year budgets for all City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level. Within this control level, management may transfer appropriations between line items. Budget revisions and line item transfers are subject to final review by the City Council. Revisions to the budget were made throughout the year.

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is to be incurred. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual required supplementary information is presented on these bases. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

3. Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be fully secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health. Collateral agreements must be approved prior to deposit of funds. The City Council approves authorized depository institutions based on the recommendations of City management.

Deposits of City of Celina, Texas (primary government) and its component units, CEDC and CCDC, are fully insured or collateralized with securities held by the City or component unit, its agent, or by the pledging financial institution's trust department or agent in the name of the City or component unit, respectively.

3. Deposits and Investments - continued

Investments

During the year ended September 30, 2013 the City invested only in Texas Local Government Investment Pool ("TexPool"). TexPool is a public funds investment pool overseen by the Texas State Comptroller of Public Accounts acting by and through its full service provider, Federated Investors is empowered to invest funds and act as custodian of investments purchased with local investment funds. Authorized investments of TexPool include obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposit and repurchase agreements. At September 30, 2013, the carrying amount and fair value of the City's investment in TexPool was \$1,197,582. TexPool is rated for credit risk as AAAM and maintained a weighted average days to maturity of 78 days at September 30, 2013.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the Treasurer (in his absence the City Manager). Investing is performed in accordance with investment policies adopted by the City Council in compliance with the Public Funds Investment Act (PFIA). City investment policy and the PFIA generally permit the City to invest in FDIC insured or fully collateralized certificates of deposit, fully collateralized repurchase agreements, public funds investment pools, obligations of the United States of America or its agencies, direct obligations of the State of Texas, and obligations of agencies, counties, cities and other political subdivisions of Texas having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. During the year ended September 30, 2013, the City did not own any types of securities other than those permitted by the City investment policy or the Public Funds Investment Act.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. City policy generally requires investment maturities to correspond to anticipated cash flow needs. City policy further states that volatile investment instruments shall be avoided and that nonmarketable instruments with maturities beyond one month shall not exceed 30 percent of the portfolio. In addition, investment maturities shall not exceed the following limits:

Operating funds - 30 days

Capital project funds - corresponding draw schedules

Debt service funds - corresponding payment dates, not to exceed (6) six months

Bond reserve funds - (5) five years

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. City policy requires that the risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types to eliminate the risk of loss from over-concentration of assets in a specific issuer, or a specific class of securities.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City's policy on safekeeping and custody requires that investments shall be secured through safekeeping agreements. All investment funds shall be placed directly with qualified financial institutions selected through the City's banking procurement process. All transactions shall be executed on a delivery versus payment basis.

4. Receivables, Uncollectible Accounts, and Unearned Revenue

Proprietary Fund Receivables, Uncollectible Accounts and Unearned Revenue

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The Proprietary Fund reports accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectible amounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days. Following is the detail of the Proprietary Fund receivables and the related allowance for uncollectible accounts:

Accounts receivable, gross	\$586,714
Less: allowance for uncollectible accounts	<u>(931)</u>
Net accounts receivable	<u>\$585,783</u>

The City has recorded unearned revenue of \$308,975 for water and sewer impact fees that have been collected, but are awaiting expenditure for the designated purpose.

Property Taxes Receivable, Unearned Revenues, and the Property Tax Calendar

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real property located within the City. Appraised values are established by the Collin County Central Appraisal District at 100% of market value. As of January 1, 2012, all real property was assessed at a net taxable value of \$478,640,217.

The property tax rate for the year ended September 30, 2013 was .645 per \$100 of the assessed valuation on taxable property. Following is a summary of the overall tax rate as levied by fund:

Maintenance and operations-General Fund	.4755
Debt Service Fund	<u>.1695</u>
Total tax rate	<u>.6450</u>

Collections of the current year property tax levy were \$3,087,016 or 99.99% of the current year tax levied.

In the governmental fund financial statements, property taxes are recorded as receivables in each of the respective funds on the tax levy date with appropriate allowances for estimated uncollectible amounts. At fiscal year-end, property tax receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred inflows of resources.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City with a 10% allowance for estimated uncollectible amounts regardless of when cash is received. Over time substantially all property taxes are collected.

The City's full year property tax calendar is as follows:

October 1-Full year tax levy assessed for the current fiscal year-taxes are due and payable.

January 1-Tax lien is attached to property to secure the payment of taxes, and penalty and interest as applicable.

February 1-Penalty and interest charges begin to accrue on unpaid past due taxes.

July 1-Taxes become delinquent and are subject to attorney fees incurred for collection.

4. **Receivables, Uncollectible Accounts, and Unearned Revenue - continued**

Allowance for Uncollectible Taxes

The City records an allowance for uncollectible property taxes in order to estimate the amount of taxes that will ultimately prove to be uncollectible. Management has determined that an allowance in the amount of ten percent (10%) of the property taxes receivable in each of the applicable fund types should be adequate to provide for uncollectible property taxes. No provisions are made for uncollectible sales tax receivables, or grants receivable as management estimates that these amounts will be fully collectible.

Fines and Court Costs Receivable and Related Allowances

In the governmental fund financial statements, fines and court costs are recognized as revenue on the cash basis.

In the government-wide financial statements, the City records fines and court costs receivable net of amounts estimated to be uncollectible and net of any amounts that would be due to other governmental entities as a result of collection. Management has determined the estimate of uncollectible fines and court costs through an analysis of actual amounts collected subsequent to year end. Amounts due to other governmental entities have been determined based on distribution requirements of the State of Texas.

Grants Receivable

Grants receivable were collected within 60 days of the end of the fiscal year, accordingly, no allowance for uncollectible amounts has been recorded. These amounts are recorded similarly in both the governmental fund statements and the government-wide financial statements. Grant revenues are recorded as earned when eligibility requirements are met. Grant revenues received prior to meeting grant eligibility requirements are recorded as unearned revenue.

5. Capital Assets

The following table provides a summary of changes in capital assets, including assets recorded under capital leases:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 666,931	\$ 1,522,721		\$ 2,189,652
Construction in progress	-	18,206		18,206
Total nondepreciable capital assets	<u>666,931</u>	<u>1,540,927</u>		<u>2,207,858</u>
Depreciable capital assets:				
Buildings and improvements	1,261,522	771,851		2,033,373
Parks	7,384,824	1,601,373		8,986,197
Road infrastructure	11,312,115			11,312,115
Vehicles	1,000,237	20,910	24,446	996,701
Furniture and equipment	863,195	42,626		905,821
Total depreciable capital assets	<u>21,821,893</u>	<u>2,436,760</u>	<u>24,446</u>	<u>24,234,207</u>
Total capital assets	22,488,824	3,977,687	24,446	26,442,065
Less: accumulated depreciation	<u>4,922,663</u>	<u>683,327</u>	<u>24,446</u>	<u>5,581,544</u>
Capital assets, net	<u>\$ 17,566,161</u>	<u>\$ 3,294,360</u>	<u>\$ -</u>	<u>\$ 20,860,521</u>
Business-Type Activities:				
Nondepreciable capital assets:				
Land	\$ 154,114			\$ 154,114
Construction in progress	1,392,555	2,364,354		3,756,909
Total nondepreciable capital assets	<u>1,546,669</u>	<u>2,364,354</u>	<u>-</u>	<u>3,911,023</u>
Depreciable capital assets:				
Buildings and improvements	43,769			43,769
Water & sewer infrastructure	17,635,959			17,635,959
Vehicles	125,689	43,438		169,127
Equipment	327,746	6,265		334,011
Total depreciable capital assets	<u>18,133,163</u>	<u>49,703</u>	<u>-</u>	<u>18,182,866</u>
Total capital assets	19,679,832	2,414,057	-	22,093,889
Less: accumulated depreciation	<u>5,738,858</u>	<u>446,013</u>		<u>6,184,871</u>
Capital assets, net	<u>\$ 13,940,974</u>	<u>\$ 1,968,044</u>	<u>\$ -</u>	<u>\$ 15,909,018</u>

5. Capital Assets - continued

Depreciation expense for governmental activities was charged to functions of the City as follows:

Administration	\$ 63,452
Fire and emergency services	140,759
Road infrastructure	203,273
Public works	6,659
Parks	206,912
Police department	<u>62,273</u>
Total	<u>\$683,328</u>

Depreciation expense recorded in business-type activities and the Proprietary Fund was \$446,013.

The gross amount of assets included in the equipment category above recorded under capital lease obligations is \$30,752. Accumulated amortization of these assets is \$641. Amortization expense is included in depreciation expense. Capital lease obligations are secured by the equipment purchased.

6. Long-Term Obligations

Long-term Obligations Supporting Governmental Activities

Certificates of obligation bonds issued by the City are backed by the full faith and credit of the City. These bonds are to be repaid with property taxes levied for debt service and recorded in the Debt Service Fund. The City's borrowing capacity is restrained by maintaining the City's debt at a responsible level. Other debt issued to support governmental activities are capital lease obligations which are primarily paid from the General Fund.

Interest expense for governmental activities was \$457,748 and is reported as a separate line item in the statement of activities.

Business-type Activities - Revenue Bonds

Revenue bonds consist of debt issued to support activities of the Proprietary (water and sewer) Fund. In addition to being backed by the full faith and credit of the City, revenue bonds are secured by a lien on and a pledge of the surplus revenues of the water and sewer system.

Interest expense for business-type activities and the Proprietary (water and sewer) Fund was \$298,123 for the year.

The following page contains a summary of changes in bonds payable and capital lease obligations for the year:

6. Long-Term Obligations - continued

<i>Governmental Activities:</i>	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due in One Year</u>
General Obligation Refunding Bonds Series 2013, 2.0%-3.5%, 2015-2027	\$ -	\$ 4,315,000	\$ -	\$ 4,315,000	\$ -
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2013, 2.0%-4.0%, 2015-2033		5,325,000		5,325,000	-
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2012, 2.0%-4.0%, 2013-2032	3,955,000		115,000	3,840,000	145,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2011, 3.0%-4.125%, 2012-2031	1,390,000		35,000	1,355,000	35,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2004, 4.625%-5.0%, 2004-2029	5,668,120		4,321,255	1,346,865	240,695
General Obligation Refunding Bonds Series 2012, 2.0%-3.0%, 2013-2023	105,000			105,000	
General Obligation Refunding Bonds Series 2007, 4.0%-4.25%, 2008-2021	678,243		70,738	607,505	74,897
Capital Lease Obligations	44,859	30,752	48,531	27,080	14,852
Total Governmental Activities	<u>\$ 11,841,222</u>	<u>\$ 9,670,752</u>	<u>\$ 4,590,524</u>	<u>\$ 16,921,450</u>	<u>\$ 510,444</u>
 <i>Business-type Activities:</i>					
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2012, 2.0%-4.0%, 2013-2032	\$ 720,000	\$ -	\$ 25,000	\$ 695,000	30,000
General Obligation Refunding Bonds Series 2012, 2.0%-3.0%, 2013-2023	4,005,000		135,000	3,870,000	130,000
General Obligation Refunding Bonds Series 2007, 4.0%-4.25%, 2008-2021	1,766,757		184,263	1,582,494	195,103
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2007, 2.60%-3.60%, 2009-2028	1,480,000		185,000	1,295,000	190,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2004, 4.625%-5.0%, 2004-2029	336,881		13,745	323,136	14,305
Total Business-type Activities	<u>\$ 8,308,638</u>	<u>\$ -</u>	<u>\$ 543,008</u>	<u>\$ 7,765,630</u>	<u>\$ 559,408</u>

6. Long-Term Obligations - continued

The City's general obligation bonds are guaranteed by the full faith and credit of the City. The bond issues are approved by the voters and repaid with property taxes recorded in the Debt Service Fund. Current requirements for principal and interest of these obligations are accounted for in the Debt Service Fund.

Capital lease agreements represent general obligations of the City, and are secured by the equipment acquired by the capital lease proceeds. Current requirements for principal and interest of capital lease obligations are accounted for in the appropriate fund for which the liability was incurred.

Compensated absences are paid from the fund responsible for the employee's compensation with significant liabilities payable from the General Fund.

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt and capital lease obligations are as follows at year-end:

<u>Governmental Activities</u>					
Year ending September 30	Bond principal	Bond interest	Capital lease principal	Capital lease interest	Total Required
2014	\$ 495,592	\$ 608,504	\$ 14,852	\$ 2,190	\$ 1,121,138
2015	571,138	560,784	12,228	553	1,144,703
2016	611,125	547,062			1,158,187
2017	627,510	532,443			1,159,953
2018	771,110	517,370			1,288,480
2019-2023	4,165,158	2,283,263			6,448,421
2024-2028	4,915,226	1,550,384			6,465,610
2029-2033	4,737,511	537,991			5,275,502
Totals	<u>\$ 16,894,370</u>	<u>\$ 7,137,801</u>	<u>\$ 27,080</u>	<u>\$ 2,743</u>	<u>\$ 24,061,994</u>

<u>Business-type Activities</u>					
Year ending September 30	Bond principal	Bond interest	Capital lease principal	Capital lease interest	Total Required
2014	\$ 559,408	\$ 241,582			\$ 800,990
2015	808,862	223,960			1,032,822
2016	843,875	201,102			1,044,977
2017	862,490	177,049			1,039,539
2018	883,890	152,734			1,036,624
2019-2023	3,279,842	382,686			3,662,528
2024-2028	314,774	81,010			395,784
2029-2033	212,489	20,071			232,560
Totals	<u>\$ 7,765,630</u>	<u>\$ 1,480,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,245,824</u>

6. Long-Term Obligations - continued

In addition to the bonds and capital leases above, the City also has the following long-term obligations:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities:</i>					
Compensated absences	\$ 109,385	\$ 125,622	\$ 109,385	\$ 125,622	\$ 125,622

It is anticipated that the liability for compensated absences described above will be paid from the General Fund when due.

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Business-type Activities:</i>					
Obligation due to Celina ISD	\$ 755,870	\$	\$ 159,563	\$ 596,307	\$ 95,282

The obligation due to Celina ISD is a result of the school district funding the cost for the installation of a new water line that provides service to school facilities. The obligation is non-interest bearing however, the City has discounted the debt to estimated present value using the assumption of a 5.5% annual interest rate. The agreement with Celina ISD is that the City will not bill the school for water use until such time as the cumulative billings are equal to the cost of installing the water line. At the current rate of water use by Celina ISD, City management estimates approximately \$126,000 of gross billings for annual water use will be credited to this obligation over each of the next five years.

7. Refunded Debt

During 2013, the City issued general obligation refunding bonds of \$4,315,000 (par value) with interest rates ranging from 2.0% to 3.5% as a current refunding of term bonds with interest rates ranging from 4.625% to 5.0%, and a par value of \$4,090,000. The term bonds mature on September 1, 2027. The general obligation refunding bonds were issued at par plus a premium of \$46,205 and, after paying issuance costs of \$81,386, the net proceeds were \$4,279,819. As a result of this current refunding, the City reduced its total debt service requirements by \$236,053, which resulted in an economic gain (difference between the present value of the debt service requirements on the old and new debt) of \$217,264.

8. Retirement Plan

Plan Description

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

8. Retirement Plan - continued

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	0%
Annuity increase (to retirees)	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) and three-year trend information for the City are as follows:

Three Year Trend Information			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Contributions Made</u>	<u>Net Pension Obligation</u>
2011	\$ 127,984	127,984	-0-
2012	\$ 92,028	92,028	-0-
2013	\$ 92,962	92,962	-0-

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information for the three most recent actuarial valuations, as of December 31, 2012 are as follows:

8. Retirement Plan - continued

Annual Pension Cost

Valuation Date	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 Equivalent Single Amortization Period	30.0 years closed period	24.6 years closed period	25.0 years closed period
Amortization period for New Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions: Investment rate of return*	7.0%	7.0%	7.0%
Projected salary increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%
Cost-of-Living adjustments	0.0%	0.0%	0.0%

Funding Status and Funding Progress –

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

Analysis of Funding Progress
(in Thousands of Dollars)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded (Over-funded) Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/12	\$2,750	\$2,390	(360)	115%	\$2,398	(15.0%)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

8. Retirement Plan - continued

Actuarial valuations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility to actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as required supplementary information to the financial statements provides multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

9. Litigation

From time to time, the City is involved in litigation in the ordinary course of business. City management considers the likelihood of any material liability resulting from this litigation to be remote.

10. Contingencies

The City participates in various state and federal grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs for the year ended September 30, 2013 have not been conducted. Accordingly, the City's compliance with applicable grant and contract requirements will be established at some future date. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

11. Balances and Transfers/Payments Within the Reporting Entity

Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" in the governmental fund financial statements include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). The following schedule reports receivables and payables within the reporting entity at year-end:

	<u>Receivable</u>	<u>Payable</u>
Debt Service Fund	\$	\$ 20,278
Proprietary Fund	20,278	400,000
General Fund	431,078	
Component units		31,078
	<u>\$ 451,356</u>	<u>\$ 451,356</u>

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

11. Balances and Transfers/Payments Within the Reporting Entity – continued:

The government-wide statement of activities eliminates transfers reported within governmental activities. The following schedule reports transfers and payments within the reporting entity:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 345,000	\$
Proprietary Fund		345,000

The above transfer provided the General Fund with supplementary revenue for the year.

12. Operating Leases

The City has entered into lease agreements for copier machines. Following is a summary of the annual minimum lease requirements under these agreements:

<u>Year ending 9/30</u>	<u>Annual lease requirement</u>
2014	8,472
2015	<u>706</u>
Total required	<u>\$ 9,178</u>

Lease expense for the year ending September 30, 2013 was \$58,673.

13. Economic Dependence

City operations are funded by taxes and revenues provided by the residents of the City of Celina, Texas. Accordingly, the City is economically dependent on the property values and local economy of City of Celina, Texas and the surrounding area.

14. Commitments

The fire station incurred a fire loss during 2013. The City is considering options to rebuild the fire station and purchased land during 2013 that will be used for the new fire department location. The City has engaged an architect to design the new fire station and will be considering options to build the new fire station in 2014.

15. New Governmental Accounting Standards Board Statements

The City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus an Amendment to GASB 14 and 34*; GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 20, 1989 FASB and AICPA Pronouncements*; GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. As a result of adopting these provisions, amounts previously reported as net assets are now reported as net position. In addition, amounts previously reported as deferred revenue, are now reported as deferred inflows of resources.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CELINA, TEXAS
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Ad valorem taxes	\$ 2,370,444	\$ 2,332,848	\$ 2,332,848	\$ -
Franchise taxes	267,000	282,160	325,167	43,007
Sales tax	318,250	371,046	384,289	13,243
Permits and inspection fees	277,000	439,448	455,454	16,006
Development fees	39,915	126,850	124,743	(2,107)
Fire department and EMS revenues	214,350	168,524	174,678	6,154
Fines	148,875	197,248	197,248	-
Special events and donations	70,235	141,964	142,682	718
Park fees	72,000	117,916	161,345	43,429
Other income	70,566	96,594	85,140	(11,454)
Interest	40,000	43,068	24,383	(18,685)
Total Revenues	3,888,635	4,317,666	4,407,977	90,311
EXPENDITURES:				
Administration	823,839	885,743	870,419	15,324
Judicial	74,578	79,867	79,863	4
Fire and emergency services	1,070,176	1,070,176	1,057,979	12,197
Development services	388,131	409,345	417,119	(7,774)
Public works	430,562	437,285	416,690	20,595
Police department	801,390	793,532	741,361	52,171
Parks and recreation	342,554	355,368	349,742	5,626
Library	134,600	135,286	134,625	661
Main street project	123,274	165,815	135,388	30,427
Capital outlay			63,536	(63,536)
Debt service			50,922	(50,922)
Total Expenditures	4,189,104	4,332,417	4,317,644	14,773
Excess (deficiency) of revenues over (under) expenditures	(300,469)	(14,751)	90,333	105,084
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets		26,090	26,100	10
Proceeds from capital leases			30,752	
Operating transfers in (out)	325,000	325,000	345,000	20,000
Total Other Financing Sources (Uses)	325,000	351,090	401,852	20,010
Net change in fund balance	24,531	336,339	492,185	125,094
Fund balance, October 1	1,694,945	1,694,945	1,694,945	-
Fund balance, September 30	\$ 1,719,476	\$ 2,031,284	\$ 2,187,130	\$ 155,846

SCHEDULE NOTES:

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.

CITY OF CELINA, TEXAS
Schedule of Funding Progress
September 30, 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded (Over-funded) Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2012	\$ 2,750	\$ 2,390	\$ (360)	115%	\$ 2,313	-15.6%
12/31/2011	2,455	2,260	(195)	109%	2,376	-8.2%
12/31/2010	2,056	2,066	10	99%	2,313	0.4%

SUPPLEMENTARY SCHEDULES

CITY OF CELINA, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED SEPTEMBER 30, 2013 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Outstanding Balance
2012	2013	\$ 13,733
2011	2012	5,335
2010	2011	4,593
2009	2010	3,011
2008	2009	2,476
2007	2008	1,696
2006	2007	2,215
2005	2006	2,310
	2004 and prior	2,993
	Allowance for uncollectible tax	(3,836)
	Delinquent tax receivable, net	\$ 34,526

CITY OF CELINA, TEXAS
HISTORICAL SCHEDULE OF ASSESSED PROPERTY VALUATION
YEAR ENDED SEPTEMBER 30, 2013 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Net Taxable Valuation
2012	2013	478,640,217
2011	2012	461,631,888
2010	2011	454,151,622
2009	2010	453,846,095
2008	2009	463,330,201
2007	2008	418,824,688
2006	2007	284,847,298
2005	2006	224,412,066
2004	2005	181,232,497
2003	2004	143,297,951

**CITY OF CELINA, TEXAS
HISTORICAL SCHEDULE OF PROPERTY TAX RATES
YEAR ENDED SEPTEMBER 30, 2013 (Unaudited)**

Tax Roll Year	Fiscal Year Ended September 30	Tax Rates
2012	2013	0.6450
2011	2012	0.6450
2010	2011	0.6450
2009	2010	0.6450
2008	2009	0.6450
2007	2008	0.6550
2006	2007	0.6900
2005	2006	0.7400
2004	2005	0.7500
2003	2004	0.7600

CITY OF CELINA, TEXAS
Additional Information (Unaudited)
September 30, 2013

Name	Title	Date First Elected to Council	Current Term Expires
Sean Terry	Mayor	2008	2014
George Kendrick	Council Member	2013	2016
Vincent Ramos	Council Member	2013	2015
Chad Anderson	Council Member	2013	2016
Wayne Nabors	Council Member	2007	2015
Carmen Roberts	Council Member	2011	2014
Bill Webber	Council Member	2010	2014

City Manager
Mike Foreman

City Secretary
Vicki Faulkner

Water Operator
David Stone

- Class Certificate: C
- Date of Last Chemical Analysis of Water: August 6, 2013
- Number of Residential/Commercial Water Users with one inch meters: Approximately 329
- Number of Residential/Commercial Water Users with 3/4 inch meters: Approximately 2,275
- Number of Commercial Water Users with larger than one inch meters: Approximately 159
- Number of Residential/Commercial Sewer Users with 4 inch meters: Approximately 9
- Number of Commercial Sewers with larger than one inch meters: Approximately 29

CITY OF CELINA, TEXAS
Additional Information (Unaudited)
September 30, 2013

<u>Water Rates</u>	<u>Effective</u>
<u>Residential</u>	<u>December, 2011</u>
0 - 2,000 gallons (Minimum):	
5/8 and 3/4 inch meter	\$ 22.25
1 inch meter	\$ 38.93
1 ½ -inch meter	\$ 77.87
2-inch meter	\$ 124.59
2,001 to 10,000 gallons	\$ 4.96 per 1,000 gal
10,001 to 20,000 gallons	\$ 7.44 per 1,000 gal
20,001 to 30,000 gal	\$ 8.68 per 1,000 gal
30,001 and above gallons	\$ 12.40 per 1,000 gal
<u>Commercial</u>	
0 - 2,000 gallons (Minimum):	
5/8 and 3/4 inch meter	\$ 27.81
1 inch meter	\$ 48.67
1 ½ inch meter	\$ 97.34
2 inch meter	\$ 155.74
3 inch meter	\$ 233.60
4 inch meter	\$ 389.34
2,001 to 10,000 gallons	\$ 4.96 per 1,000 gal
10,001 to 20,000 gallons	\$ 7.44 per 1,000 gal
20,001 to 30,000 gal	\$ 8.68 per 1,000 gal
30,001 and above gallons	\$ 12.40 per 1,000 gal
<u>Sewer Rates</u>	
<u>Residential</u>	
0-2,000 gal (Minimum):	
5/8 and 3/4 inch meter	\$ 20.60
1 or 2 inch meter	\$ 38.63
1 ½ inch meter	\$ 72.10
2,001 to 14,000 gal	\$ 5.74 per 1,000 gal
Usage fees cap at 14,000 gal	\$ 89.45 Max
<u>Commercial</u>	
0-2,000 gal (Minimum):	
5/8 and 3/4 inch meter	\$ 25.75
1 inch meter	\$ 48.29
1 ½ inch meter	\$ 90.13
2 inch meter	\$ 154.50
4 inch meter	\$ 386.25
2,001 and above gal	\$ 5.74 per 1,000 gal